GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2662
ANSWERED ON:04.12.2007
EXEMPTION OF IMPORT DUTY
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government is contemplating to exempt import duty on some items imported from South Asian countries to promote the domestic industry;

(b) if so, the details of items imported duty free from South Asian countries;

(c) the details of the countries with which such type of trade is permitted alongwith the total amount of foreign investments likely to be attracted in the country; and

(d) the details of items on which import duty is being collected?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH)

(a) to (c) : There is no proposal as such to exempt import duty on some items imported from South Asian countries to promote the domestic industry. India has, however, signed following agreements with other countries, including countries in South Asia, for trade at zero/concessional duty:

1. Agreement between India and Bhutan on Trade, Commerce and Transit which provides for free trade between the two countries without any Negative List.

2. India-Sri Lanka Free Trade Agreement. Duty-Free trade under this Agreement is applicable to all items excluding the items in the Negative List kept by each country.

3. India-Nepal Treaty of Trade. Under this Agreement there can be free trade on mutually agreed to primary products from each other and India, on non-reciprocal basis provides duty free market access to goods produced in Nepal. This duty free facility covers all manufactured items of Nepal except three items indicated in Annex E of the Treaty.

4. India is a signatory to the Agreement on South Asian Free Trade Area (SAFTA) which came into force from 1st January 2006. Under the Phased Trade Liberalization Programme (TLP) of SAFTA, all member states would reduce tariffs to zero to five percent within ten years of the coming into force of SAFTA. However, the Non-LDC members (India, Pakistan and Sri Lanka) have to reduce tariffs to zero to five percent for LDC members (Bangladesh, Bhutan, Maldives and Nepal) by 31.12.2008. SAFTA TLP, which became operational from 1st July 2006, covers all tariff lines excluding the items kept in the Sensitive List by each member State. India has kept two sensitive lists, one with 865 items for Non -LDC members and another with 744 items for LDC members. During the 14th SAARC Summit, India as the largest country in the region, expressed its readiness to accept asymmetrical responsibilities, including opening her markets to her South Asian neighbours without insisting on reciprocity and in this regard announced, inter alia, that before the end of 2007, India would allow duty- free access to the Least Developed Countries of South Asia. India would thus complete the SAFTA TLP for LDC members one year in advance, i.e., by 31.12.2007 instead of 31.12.2008.

5. India has a Comprehensive Economic Cooperation Agreement (CECA) with Singapore which was signed on 29th June 2005 under which tariff was eliminated on 506 products in the Early Harvest Programme.

6. A framework Agreement for establishing Free Trade Area between India and Thailand was signed on 9th October 2003 under which, Early Harvest Scheme covering 82 products is under implementation from 1.9.2004 where tariff levels have been brought to 0% with effect from 1.9.2004.

The details of the above agreements are available at http://commerce.gov.in` . The items traded between India and above countries are also available at this website under the heading Export Import Data Bank. Since, under the above agreements, India can export goods to other partner countries at zero or concessional duty as the case may be, the domestic industry would benefit from these but the extent of benefit to the domestic industry or likely foreign investments out of these agreements cannot be quantified.

(d) Duty is payable on the items in the Sensitive/Negative Lists under the above Agreements wherever applicable.